

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 659 – SB 1171

May 2, 2017

SUMMARY OF ORIGINAL BILL: Requires a healthcare payor using an alternative payment system, when determining any potential gain-sharing payment or risk-sharing payment for a physician, to disclose all costs of treatment or other services included within the medical service subject to the alternative payment system. Requires a physician to use best efforts to maintain the cost information provided by a healthcare payor under Tenn. Code Ann. § 71-5-2802 as confidential and to exercise best efforts to maintain the non-disclosure of the cost information with any other physician or healthcare provider who has not provided treatment or services under the episode of care.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$447,100

Increase Federal Expenditures - \$852,900

Other Fiscal Impact – Any impact to rates for sharing of negotiated rates will not be recognized until January 2019. A one-percent increase in rates is estimated to be \$15,759,100 in FY18-19 (\$6,993,500 state, \$8,594,300 federal, and \$171,300 local) and \$31,518,000 in FY19-20 and subsequent years (\$13,987,000 state, \$17,188,500 federal, and \$342,500 local).

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenues - \$1,300,000

Increase Business Expenditures – Less than \$1,300,000

Other Fiscal Impact - Providers will realize an increase in business revenues of \$15,759,100 in FY18-19 and \$31,518,000 in FY19-20 and subsequent years.

SUMMARY OF AMENDMENT (008126): Deletes all language after the enacting clause. Requires a healthcare payor using an alternative payment system, when determining any potential gain-sharing payment or risk-sharing payment for a physician, to disclose all costs of treatment or other services included within the medical service subject to the alternative payment system. Authorizes a healthcare payor to withhold cost information for providers who are

HB 659 – SB 1171

credentialed with the healthcare payor in the same specialty. Requires a provider to maintain the cost information provided by a healthcare payor under Tenn. Code Ann. § 56-62-102 as confidential and prohibits disclosure of the cost information to any other provider who has not provided treatment or services under the same episode of care. Exempts the TennCare program established under Title 71, Chapter 5, or any successor program. Effective date of January 1, 2018.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Net Impact –

\$1,535,500/FY17-18

\$1,781,000/FY18-19 and Subsequent Years

Increase Federal Expenditures - \$185,800/FY17-18

\$371,700/FY18-19 and Subsequent Years

Increase Local Expenditures - \$144,800/FY17-18

\$289,600/FY18-19 and Subsequent Years

Assumptions for the bill as amended:

- Based on information provided by the Department of Finance and Administration, Division of Benefits Administration (Benefits Administration), carriers cannot accommodate the provisions of the proposed legislation within existing resources.
- The one-time increase in expenditures for administrative costs associated with the carriers adjusting their current reporting systems in order to accommodate the provisions of the proposed legislation is estimated to be \$645,000 in FY17-18.
- The recurring increase in expenditures for administrative costs associated with the carriers adjusting their current reporting systems in order to accommodate the provisions of the proposed legislation is estimated to be \$504,000 in FY18-19 and subsequent years and \$252,000 ($\$504,000 \times 50.0\%$) in FY17-18.
- For an estimate of projected savings, data from the Bureau of TennCare's experience with risk-sharing alternative payments systems was used to estimate the impact the proposed legislation would have on Benefits Administration. It is estimated that Benefits Administration will experience recurring savings of \$2,930,160. Due to the effective date clause, the savings in FY17-18 is estimated to be \$1,465,080 ($\$2,930,160 \times 50.0\%$).
- Based on information provided by Benefits Administration, the proposed legislation will result in a one-half percent increase in carrier's medical claims.
- In 2016, the total amount of claims was \$1,448,236,906. Assuming a one half of one percent increase, it is estimated claims will increase by \$7,241,185 ($\$1,448,236,906 \times 0.005$) annually.

- Of the total projected loss of savings, 52 percent would be realized by the State Employee Plan, 40 percent by the Local Education Plan, and 8 percent by the Local Government Plan.
- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in an increase in state expenditures of at least \$3,012,333 ($\$7,241,185 \times 80\% \times 52\%$).
- According to Benefits Administration, the state contributes 45 percent of instructional member premiums (75 percent of Local Education Plan members) and 30 percent of support staff member premiums (25 percent of Local Education Plan members) resulting in an increase in state expenditures of at least \$1,194,796 [$(\$7,241,185 \times 40.0\% \times 75.0\% \times 45.0\%) + (\$7,241,185 \times 40.0\% \times 25.0\% \times 30.0\%)$].
- The total increase in state expenditures for Benefits Administration is estimated to be \$4,207,129 ($\$3,012,333 + \$1,194,796$) in FY18-19 and subsequent years and \$2,103,565 ($\$4,207,129 \times 50.0\%$) in FY17-18.
- Based on information provided by Benefits Administration, the federal contribution for 58 percent of the state plan members is 8.85%. The total increase in federal expenditures is estimated to be \$371,690 ($\$7,241,185 \times 58.0\% \times 8.85\%$) in FY18-19 and subsequent years and \$185,845 ($\$371,690 \times 50.0\%$) in FY17-18.
- The state does not contribute to the Local Government Plan. Participating agencies and their employees recurring expenditures are estimated to be \$579,295 ($\$7,241,185 \times 8.0\%$).
- The average local government contribution to member premiums is unknown. It is estimated that participating local governments expenditures will increase by at least \$289,647 ($\$579,295 \times 50.0\%$) in FY18-19 and subsequent years, and by \$144,824 ($\$289,647 \times 50.0\%$) in FY17-18.
- The net increase in state expenditures in FY17-18 is estimated to be \$1,535,485 ($\$645,000 + \$252,000 + \$2,103,565 - \$1,465,080$).
- The net increase in state expenditures in FY18-19 and subsequent years is estimated to be \$1,780,969 ($\$504,000 + \$4,207,129 - \$2,930,160$).

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue - \$1,866,100/FY17-18

\$2,442,300/FY18-19 and Subsequent Years

Increase Business Expenditures – Less than \$1,866,100/FY17-18

Less than \$2,442,300/FY18-19 and

Subsequent Years

Assumptions for the bill as amended:

- Carriers will realize an increase in business revenue in order to modify their systems in order to provide detailed reports.

- Carriers will incur an increase in business expenditures in order for companies to retain solvency.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jem